A PLAN FOR QUÉBEC

BUDGET AT A GLANCE

Budget
2011-2012

LOOKING TO THE FUTURE!

Québec

A PLAN FOR QUÉBEC

STAYING ON THE PATH TO A BALANCED BUDGET AND DEBT REDUCTION

SUPPORTING FAMILIES AND SENIORS

SEIZING THE OPPORTUNITIES

BOLSTERING THE RETIREMENT INCOME SYSTEM

DEVELOPING OUR TERRITORY AND OUR NATURAL RESOURCES

GIVING OUR YOUTH A BETTER WINDOW ON THE WORLD

PROMOTING FAIRNESS

INVESTING IN THE POTENTIAL OF QUEBECERS

QUÉBEC IS LOOKING TO THE FUTURE

We have the important responsibility of taking action to ensure the prosperity of all Quebecers. This prosperity will enable us to offer quality services to the people of Québec and to protect those who are most vulnerable.

To maintain control over our choices, we are staying on the path to a balanced budget in 2013-2014. We are doing so in a gradual and balanced manner and are controlling our debt.

Now that we are fully engaged in this process, we are looking to the future with confidence.

In this budget, we are investing in the potential of Quebecers. We are doing more to support families and seniors; we are improving our retirement system; we are encouraging our entrepreneurs and our artists.

We are developing our territory and our natural resources in a manner that respects communities and the environment.

We are seizing opportunities by assisting our businesses as they move to new markets and by making the digital shift.

We are giving universities the means to achieve excellence by introducing structured and predictable funding for the next six years, with everyone paying their faire share.

Québec is rich because of its people and their talents, its territory and its resources. This enormous wealth must be built upon for the greater benefit of all.

Québec has everything it needs to succeed.

Minister of Finance,

Raymond Bachand

RAYMOND BACHAND
Québec, march 2011

STAYING ON THE PATH TO A BALANCED BUDGET AND DEBT REDUCTION

BALANCED BUDGET

Deficits are lower than forecast: $1.1 billion less in 2009-2010 and $300 million less in 2010-2011.

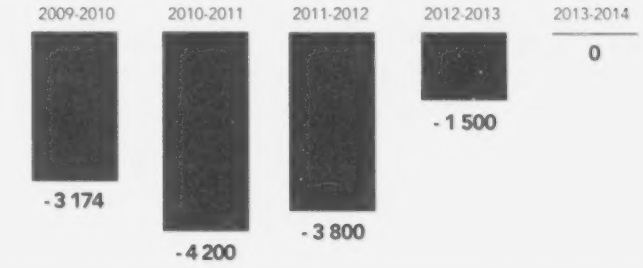
We will eliminate the deficit in 2013-2014 through the measures contained in the plan to restore fiscal balance, in particular with regard to spending control.

The government will slow the growth in its program spending. This growth will decrease from 5.8% on average in 2006 to 2010 to 3.1% on average in 2010 to 2014.

THIS REDUCTION IN SPENDING IS DUE TO DISCIPLINE ON THE PART OF THE GOVERNMENT AS A WHOLE.

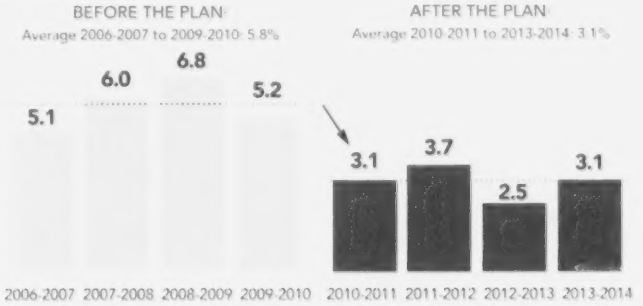
BUDGETARY BALANCE IN ACCORDANCE WITH THE *BALANCED BUDGET ACT*

(millions of dollars)



CHANGE IN THE GROWTH OF PROGRAM SPENDING[1]

(per cent)



1. According to the presentation used in the 2010-2011 Budget.
2. Plan to restore fiscal balance.

DEBT REDUCTION

To reduce the debt as a percentage of GDP, the government is providing for two new measures:

- Payment of 25% of mining, oil and gas royalties, in excess of $200 million per year, into the Generations Fund as of 2014-2015.
- Gradual reduction of infrastructure investments to a cruising speed that ensures their quality is maintained.

SUPPORTING FAMILIES AND SENIORS

SUPPORTING FAMILIES

Families are a priority. In 2010, they received $6.7 billion in support, mainly through financial support for parents, access to daycare services and the Québec parental insurance plan. We are going further.

- **Creation of 15 000** new reduced-contribution **daycare spaces** from 2012-2013 to 2015-2016.
  - This will bring the total number of spaces available to 235 000.
- Addition of $4.5 million over three years for **family community organizations** and **community daycare centres**.

INCREASING THE SUPPLY OF SOCIAL AND COMMUNITY HOUSING

Additional investments of $140 million for building 2 000 new social and community housing units. This will bring **the number of affordable social and community housing units built since 2003 to 32 000**.

ENHANCING THE SHELTER ALLOWANCE PROGRAM

THE SHELTER ALLOWANCE PROGRAM HELPS LOW-INCOME HOUSEHOLDS TO PAY THEIR RENT.

- THE ELIGIBILITY AGE UNDER THIS PROGRAM WILL BE LOWERED GRADUALLY FROM 55 TO 50 FOR SINGLE PEOPLE AND COUPLES WITHOUT CHILDREN. THE PROGRAM WILL THUS PROVIDE ASSISTANCE TO APPROXIMATELY 17 000 MORE HOUSEHOLDS.

AGING AT HOME, AGING ACTIVELY

AGING AT HOME

More than 17 000 additional informal caregivers will now receive a tax credit that recognizes their essential contribution to the well-being of the people to whom they provide assistance and who are unable to live alone.

- Informal caregivers who cohabit the dwelling of an eligible relative will be able to obtain the tax credit for informal caregivers.
- The spouse of a person aged 70 or more will also be eligible.

AGING ACTIVELY

Additional funds will be granted to the following programs:

- Age-Friendly Municipalities initiative.
- Information hubs for seniors.
- Maisons des grands-parents.

HELPING SENIORS MAKE THE TRANSITION TO RESIDENTIAL AND LONG-TERM CARE CENTRES (CHSLDS)

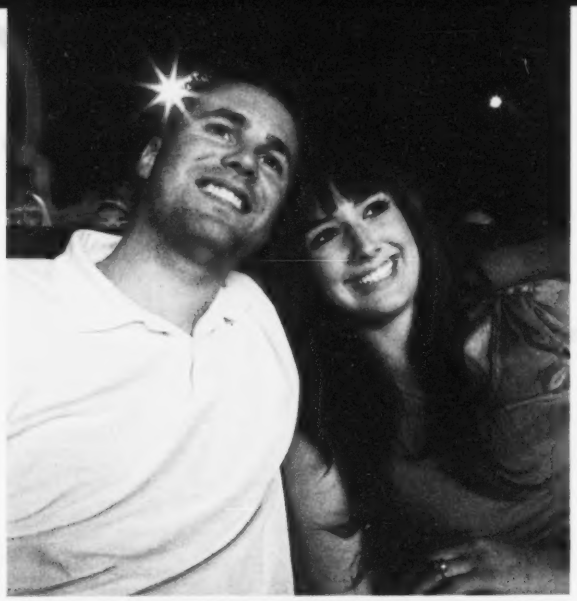
TO HELP SENIORS WHO HAVE TO BE ADMITTED TO A CHSLD FOR HEALTH REASONS, THE DEDUCTION FOR RESILIATION OF THEIR LEASE WILL BE DOUBLED TO UP TO $650 A MONTH.

KEEPING SOCIAL ECONOMY BUSINESSES ACCESSIBLE

An additional $4 million per year is being granted for Québec's social economy businesses, which offer domestic help services to 50 000 Quebecers.

ENSURING STABLE FUNDING FOR HEALTH

Health care remains a priority for Quebecers. Thanks in part to the health contribution, health funding will increase from $32 billion to $41 billion over 5 years, or by 5% per year.



A DIGITAL SHIFT IN THE CULTURAL SECTOR

CULTURE IS AN AREA IN WHICH DIGITAL TECHNOLOGY IS BECOMING A MUST. NEARLY $10 MILLION WILL BE ALLOCATED TO SUPPORTING DIGITIZATION IN THE CULTURAL SECTOR.

SEIZING THE OPPORTUNITIES

CELEBRATING QUÉBEC CULTURE

BRINGING QUÉBEC CULTURE TO THE WORLD STAGE

The new Capital Culture Québec Fund will have access to $100 million to support major international projects by our cultural businesses.

The Conseil des arts et des lettres du Québec will have an additional $3 million at its disposal to promote diffusion outside Québec of works in the field of arts and letters.

DEVELOPING AND DIVERSIFYING OUR EXPORT MARKETS

Québec must seize business opportunities on world markets, particularly in emerging countries.

- Creation of Exportation Québec, which will be the single gateway to services that support Québec businesses.
- Opening of a new Québec office in Russia and expansion of Québec's representation in Brazil, India and China.

ENCOURAGING OUR BUSINESSES

SUPPORTING ENTREPRENEURSHIP AND SUCCESSION

Entrepreneurs who start up a new business or succeed an existing business need considerable capital, which is sometimes hard to come by.

- A new fund, the Capital Anges Québec Fund, will make $30 million available to new businesses.
- The Relève Québec Fund, with $50 million, will offer loans at attractive conditions in order to finance part of the initial investment of business buyers.

THE GOVERNMENT WILL SOON UNVEIL ITS ENTREPRENEURSHIP STRATEGY.

BOLSTERING THE RETIREMENT INCOME SYSTEM

TO MEET THE EXPECTATIONS OF QUEBECERS OF EVERY GENERATION

Today, Quebecers are retiring earlier and for a longer period of time and this is putting considerable financial strain on pension plans, including the Québec Pension Plan. It is our major collective and universal plan and its sustainability must be ensured.

- The Québec Pension Plan contribution will increase by 0.15% per year over a period of six years starting January 1, 2012.
  - For an employee with a work income of $40 000 a year, this increase will represent an additional annual contribution of about 50 cents a week in 2012.
- To improve the funding of the Québec Pension Plan and encourage later retirement, benefits applied for after age 65 will be increased as of January 1, 2013.
- Inversely, benefits applied for prior to age 65 will be reduced as of January 1, 2014.
- These adjustments will make it possible to harmonize the Québec Pension Plan with the Canada Pension Plan.

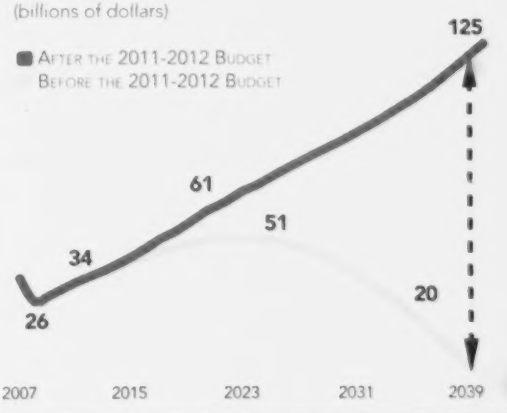
THE QUÉBEC PENSION PLAN: OUR MAJOR COLLECTIVE PENSION PLAN

THE SUSTAINABILITY OF THE QUÉBEC PENSION PLAN MUST BE ENSURED SO THAT THE RETIREES OF TOMORROW WILL HAVE ADEQUATE INCOME.

THE QUÉBEC PENSION PLAN CONTRIBUTION RATE MUST BE INCREASED OR ELSE THE PLAN'S RESERVE WILL BE EMPTY IN 2039.

IMPACT OF THE MEASURES OF THE 2011-2012 BUDGET ON THE QPP RESERVE

(billions of dollars)



Source: Régie des rentes du Québec

TAKING ADVANTAGE OF THE SKILLS OF EXPERIENCED WORKERS

Within the next five years, 740 000 jobs will have to be filled in Québec. Most of these jobs will be left vacant by Quebecers who retire.

We are taking action now to encourage experienced workers to remain on the labour market. A tax credit will be implemented gradually as of January 1, 2012 to offset the Québec income tax payable on work income between $5 000 and $15 000 for workers age 65 or over. Accordingly, as of 2016:

- This will represent an income tax reduction of up to $1 504 a year.
- For a person earning $15 an hour, this will represent a net increase of $2.25 an hour.

Over 100 000 workers will be able to benefit from this tax credit.

A PENSION PLAN FOR EVERY QUEBECER: VOLUNTARY RETIREMENT SAVINGS PLANS

EVERY QUEBECER, INCLUDING SELF-EMPLOYED WORKERS, WILL SOON HAVE ACCESS TO A PRIVATE RETIREMENT SAVINGS PLAN.

- MAIN FEATURES OF THIS NEW SAVINGS TOOL:
  - EMPLOYERS WILL BE REQUIRED TO OFFER IT, WITHOUT BEING OBLIGED TO CONTRIBUTE TO IT.
  - EMPLOYEES WILL BE REGISTERED AUTOMATICALLY, BUT WILL BE ALLOWED TO OPT OUT.
  - IT WILL BE TRANSFERABLE WHEN EMPLOYEES CHANGE JOBS.

DEVELOPING OUR TERRITORY AND OUR NATURAL RESOURCES

THE FUTURE OF QUÉBEC MUST BE BUILT IN A SUSTAINABLE MANNER. WE ARE MAKING THIS CHOICE BY ADOPTING POLICIES TODAY THAT RESPECT FUTURE GENERATIONS.

DEVELOPING AND MAINTAINING THE ROUTE VERTE

The Route verte, a bikeway covering 4 700 km, is recognized by National Geographic as one of the 10 best bikeways in the world.

We will continue to deploy the Route verte by improving its linkages with urban networks, its safety and maintenance, as well as the convenience of bikeways.

ACCELERATING THE ARRIVAL OF ELECTRIC VEHICLES

Transportation accounts for 43% of Québec's greenhouse gas emissions. Given the competitive price of electricity, electric vehicles are an excellent way to reduce our carbon footprint.

The tax credit for green vehicles will be replaced by a purchase or leasing rebate. Persons who buy a plug-in electric or hybrid electric vehicle will receive a rebate of up to $8 000.

The program also provides for a rebate for the acquisition and installation of home charging stations.

THESE MEASURES ARE PART OF THE 2011-2020 ELECTRIC VEHICLE ACTION PLAN.

SUPPORTING THE FOREST SECTOR AND PROMOTING THE USE OF WOOD IN QUÉBEC

- The government will continue to support silvicultural work and the production of seedlings.
- A working group is being created to promote the use of wood in construction in Québec.

MAJOR SPINOFFS FROM THE NEW MINING DUTIES REGIME

- Thanks to its new mining duties regime, Québec will collect over $1.4 billion in royalties over the next five years.
- In 2003, tax levies on mining corporate profits were lower in Québec than anywhere else in Canada.
- Taking into account only mining duties, Québec now collects 28% more in mining duties than the Canadian average.

FUNDING OF THE NORTHERN PLAN

- The Fonds du Plan Nord is being created to finance this large-scale project. It will obtain most of its funding from a portion of the tax revenues from the development activities carried out in the territory covered by the Northern Plan.
- Hydro-Québec will invest in energy projects, while the private sector will invest primarily in mining projects.
- Several partners will be asked to invest in this large-scale project.
  - The government is ready to take equity interests in promising private projects for a total of $500 million over five years.
- The Northern Plan will adhere to the concepts of sustainable development and intergenerational fairness.
  - 50% of the territory covered by the Northern Plan is being withdrawn from industrial development.
  - A share of the royalty revenues from new mining projects in the North will be paid into the Generations Fund in order to reduce the debt burden.
- The Northern Plan will be developed in harmony with Aboriginal communities and local communities.

THE NORTHERN PLAN IS A FLAGSHIP COMPONENT OF THE PLAN FOR QUÉBEC. IT IS THE SECOND PHASE IN THE DEVELOPMENT OF NORTHERN QUÉBEC AFTER JAMES BAY AND WILL COVER A 25-YEAR PERIOD. ONE OF THE MAIN OBJECTIVES OF THIS LARGE-SCALE PROJECT IS TO OPEN UP THE TERRITORY.

- THE CONSTRUCTION OF NEW TRANSPORTATION INFRASTRUCTURE WILL FACILITATE AND INCREASE THE MOBILITY OF PEOPLE AND MERCHANDISE AND THUS REDUCE THE COST OF LIVING IN THE NORTH.
- THE PLAN WILL ALSO INCLUDE HOUSING, TRAINING AND HEALTH INITIATIVES AND WILL PROVIDE FOR THE CREATION OF PARKS AND PROTECTED AREAS.

FOR ORDERLY AND RESPONSIBLE DEVELOPMENT OF SHALE GAS

DEVELOPING SHALE GAS IN A MANNER THAT RESPECTS THE ENVIRONMENT AND LOCAL COMMUNITIES

Before we take advantage of our resources, we must improve our knowledge.

- A strategic environmental assessment committee will be set up to ensure that shale gas development is carried out properly.

A new legal framework will facilitate the signing of agreements between gas businesses and landowners.

Municipalities will receive $100 000 in compensation over 10 years for each well operated on their territory.

SHALE GAS DEVELOPMENT WILL BE CARRIED OUT CORRECTLY OR NOT AT ALL.

LAYING THE GROUNDWORK NOW

ONCE WE ARE CERTAIN THAT SHALE GAS CAN BE DEVELOPED SAFELY, WE WILL BE IN A GOOD POSITION TO BENEFIT FROM THIS RESOURCE.

- THE SHALE GAS ROYALTY REGIME IS REVISED. IT IS BASED ON BEST PRACTICES, PARTICULARLY THOSE OF BRITISH COLUMBIA.
- THE LEVEL OF ROYALTIES WILL TAKE INTO ACCOUNT THE MARKET PRICE OF GAS AND WELL PRODUCTIVITY.
- A SHARE OF THE ROYALTIES WILL BE PAID INTO THE GENERATIONS FUND IN ORDER TO BRING DOWN THE DEBT.

GIVING OUR YOUTH A BETTER WINDOW ON THE WORLD

PROMOTING ACADEMIC SUCCESS

- **School 2.0: connected classrooms:** classrooms will be equipped with smartboards, multimedia projectors and laptop computers.
- **Intensive English instruction:** students will take half of Grade 6 in English.
- **A sports culture in secondary schools:** the government will support the creation of sports teams in public secondary schools.

PURSUING QUÉBEC'S DIGITAL SHIFT

Québec will allocate $900 million over 10 years to improve access to high-speed Internet services for every citizen, community and business, through completion of this exceptional infrastructure for the transmission and exchange of knowledge and services.

BETTER FUNDING FOR OUR SPORTS INFRASTRUCTURE

THE GOVERNMENT AND ITS PARTNERS WILL ALLOCATE $100 MILLION TO SPORTS INFRASTRUCTURE, SUCH AS SPORTS CENTRES, SOCCER FIELDS, SKATING RINKS AND POOLS.

PROMOTING FAIRNESS

COMBATING TAX EVASION

Collecting all of the government's revenue is key to restoring fiscal balance and ensuring that everyone pays their fair share.

The Agence du revenu du Québec, which will come into being next April 1, will have all the management flexibility needed to achieve the ambitious recovery objectives set for it.

- The Agency will be able to hire more auditors to improve tax control.

The Agency, along with other stakeholders, will step up the fight against:

- tobacco smuggling;
- unreported work in employment agencies.

COMBATING UNREPORTED WORK

The government will also take targeted actions to counter more effectively unreported work and tax evasion in the construction industry:

- Information exchange and concerted efforts among partners directly involved in this fight will be improved.
- Sanctions and penalties will be increased.

Since 2010, the government has required that suppliers submit a certificate confirming that their business has filed its tax returns and has no outstanding accounts.

- This requirement will be broadened in particular to subcontractors in the construction sector and contracts awarded by government corporations and municipalities.

IMPROVING PROTECTION OF SAVERS

The Autorité des marchés financiers has been very active in recent years in its fight against financial fraud.

We will provide it with even more means to enable it to fulfil its mission.

INVESTING IN THE POTENTIAL OF QUEBECERS

Budget
2011-2012

BY 2016-2017, THE INCREASE IN TUITION FEES WILL BRING THEM TO THE SAME LEVEL AS IN 1968, TAKING INFLATION INTO ACCOUNT.

THE TUITION FEE INCREASE WILL RAISE THE STUDENT CONTRIBUTION TO UNIVERSITY FUNDING FROM 12.7% TO 16.9%. IT WAS 26.4% IN 1964-1965.

Giving our universities the means to achieve excellence

If Québec is to be one of the most educated societies in the world, we have to give our universities the necessary means.

- Universities will have access to additional revenues that will reach $850 million in 2016-2017, as well as a stable and predictable six-year financial framework.

The contribution will be shared fairly.

- The government will contribute slightly over half of this additional revenue, i.e. $430 million.
- Individuals and businesses will be asked to increase their donations to universities.
- Universities will be encouraged to boost their own-source revenue.
- Students will pay their fair share of university funding through an increase of $325 a year in tuition fees over five years starting in fall 2012.

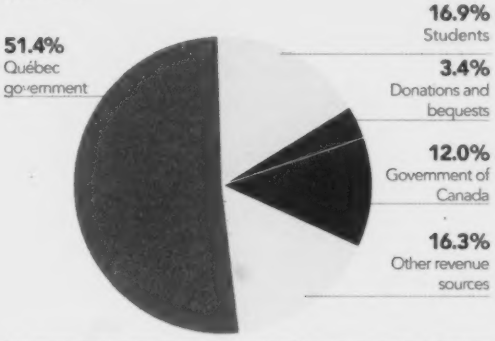
The government will keep university education accessible through student financial assistance, by returning 35% of the revenue from the tuition fee increase to students.

- All bursary students who are beneficiaries of the Loans and Bursaries Program will be fully compensated for the increase in tuition fees and thus avoid going deeper into debt.
- The parental or spousal contribution taken into account for the purpose of calculating student financial assistance will be reduced.

Universities will have to enter into performance commitments with the government. They will have to commit to using the additional resources to improve the quality of teaching and research.

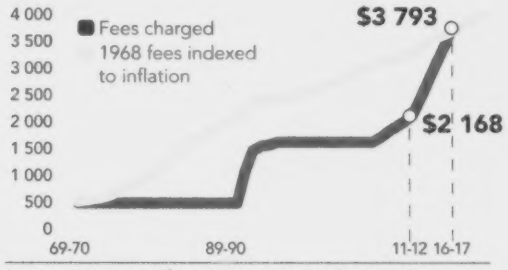
FOR ADDITIONAL INFORMATION, PLEASE CONSULT THE BUDGET DOCUMENTS AT WWW.FINANCES.GOUV.QC.CA.

TOTAL UNIVERSITY REVENUE IN 2016-2017
(per cent)



Source: Ministère des Finances du Québec, 2011-2012 Budget – *A Fair and Balanced University Funding Plan: To Give Québec the Means to Fulfil its Ambitions*, [Paper], March 2011, p. 17.

CHANGE IN BASIC TUITION FEES IN QUÉBEC UNIVERSITIES
(dollars)



Source: Ministère de l'Éducation, du Loisir et du Sport and Ministère des Finances du Québec.

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